

**LOUISIANA INSURANCE RATING COMMISSION FILING OF  
RATES/FILING OF POLICY FORMS**

July 20, 1994

For a number of months it has been a concern that a large portion of the Louisiana personal automobile business has been placed with surplus lines insurers. These are companies which do not have a certificate of authority issued by the Louisiana Department of Insurance. The Department of Insurance has little regulatory authority over these insurers, which, by definition, are located outside the State of Louisiana. Should a surplus lines insurer fail, the claims of policyholders would not be paid by the Louisiana Insurance Guaranty Association. No other state allows personal automobile business to be sold on a surplus lines basis.

The Department of Insurance has become concerned that the rates charged policyholders may not be fair in all cases. In certain instances, such rates may be excessive or unfairly discriminatory. It may even be the case that some rates are inadequate. Inadequate rates have contributed to a succession of insurance companies insolvencies. These insolvencies have led to non-payment of policyholder claims and hundreds of millions of dollars of losses to the State of Louisiana.

It is the duty of the Commissioner of Insurance to regulate the placement of business with surplus lines insurers, and to guarantee that such placement is in the best interest of the policyholders or citizens of Louisiana. It is also the duty of the Commissioner of Insurance to request full and complete information from surplus lines brokers as to the financial stability, reputation and integrity of surplus lines insurers with whom the broker is transacting business. Therefore, in order to protect the public interest, I order and direct that:

1) Effective immediately, all surplus lines brokers shall submit to the Louisiana Department of Insurance for approval all policy forms for personal automobile insurance currently used by surplus lines insurers with whom a broker does business.

2) By September 7, 1994, all surplus lines brokers shall report to the Louisiana Insurance Rating Commission personal automobile rates and manual rules currently used by surplus lines insurers with whom a broker does business. This report shall contain a request for approval of